



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
JACKSON COUNTY CLERK**

Calendar Year 2000

**EDWARD B. HATCHETT, JR.
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE JACKSON COUNTY CLERK

Calendar Year 2000

The Auditor of Public Accounts has completed the Jackson County Clerk's audit for calendar year ending December 31, 2000. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Net Receipts of the Clerk's calendar year 2000 Fee Account decreased by \$5,816 from the prior calendar year, resulting in excess fees of \$18,344 as of December 31, 2000. Revenues increased by \$55,675 from the prior year and disbursements increased by \$63,549.

Report Comments:

- The Clerk Should Have Maintained Proper Accounting Records
- Lack Of Adequate Segregation Of Duties

Deposits:

The Clerk's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Tommy Slone, Jackson County Judge/Executive
Honorable Jerry Dean, Jackson County Clerk
Members of the Jackson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Jackson County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky
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In accordance with Government Auditing Standards, we have also issued a report dated July 17, 2001, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following areas of noncompliance:

- The Clerk Should Have Maintained Proper Accounting Records
- Lack Of Adequate Segregation Of Duties

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 17, 2001

JACKSON COUNTY
JERRY DEAN, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

State Fees For Services	\$	12,669
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Fiscal Court		5,050
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	294,526
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Usage Tax		354,408
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Tangible Personal Property Tax		606,325
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Licenses-

Marriage		3,776
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Spouse Abuse		1,390
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Deed Transfer Tax		13,181
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Delinquent Tax		44,965
		1,318,571

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	9,961
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Real Estate Mortgages		11,284
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Chattel Mortgages and Financing Statements		37,230
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Powers of Attorney		611
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All Other Recordings		11,178
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Charges for Other Services-

Candidate Filing Fees		570
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Copywork		958
		71,792

Other:

Miscellaneous	\$	3,370
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Lien Fees		4,250
		7,620

Interest Earned		2,043
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Gross Receipts	\$	1,417,745
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JACKSON COUNTY
 JERRY DEAN, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	226,096	
Usage Tax		343,819	
Tangible Personal Property Tax		231,826	

Licenses-

Delinquent Tax		11,730	
Legal Process Tax		11,909	
Candidate Filing Fees		30	
		<u>30</u>	\$ 825,410

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	46,925	
Delinquent Tax		3,796	
Deed Transfer Tax		12,559	
		<u>12,559</u>	63,280

Payments to Other Districts:

Tangible Personal Property Tax	\$	303,419	
Delinquent Tax		26,213	
		<u>26,213</u>	329,632

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies Salaries	\$	83,377	
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Employee Benefits-

Employer's Paid Health Insurance		202	
Other Payroll Disbursements		1,887	

Contracted Services-

Printing and Binding		1,235	
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Materials and Supplies-

Office Supplies		11,198	
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Other Charges-

Postage		4,590	
Miscellaneous		5,257	
Refunds		2,327	

JACKSON COUNTY
 JERRY DEAN, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Operating Disbursements and Capital Outlay:
 (Continued)

Capital Outlay-		
Office Equipment	<u>\$ 8,100</u>	<u>\$ 118,173</u>
Total Disbursements		<u>\$ 1,336,495</u>
Net Receipts		\$ 81,250
Less: Statutory Maximum		<u>59,306</u>
Excess Fees		\$ 21,944
Less: Expense Allowance		<u>3,600</u>
Excess Fees Due County for Calendar Year 2000		\$ 18,344
Payments to County Treasurer - March 14, 2001		<u>18,344</u>
Balance Due at Completion of Audit		<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

JACKSON COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

JACKSON COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2000
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2000, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bond which named the County Clerk as beneficiary/obligee on the bond.

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$15,804. No funds were expended for this grant during calendar year 2000. The unexpended grant balance is \$15,804 as of December 31, 2000.

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COMMENTS AND RECOMMENDATIONS

JACKSON COUNTY
JERRY DEAN, COUNTY CLERK
COMMENTS AND RECOMMENDATIONS

Calendar Year 2000

NONCOMPLIANCE:

The Clerk Should Have Maintained Proper Accounting Records

The Uniform System of Accounts in KRS 68.210 requires the maintenance of proper accounting records. Furthermore, KRS 134.160 requires the Clerk to keep an adequate record of all money received. We found that the Clerk failed to maintain a receipt ledger as required under these authorities. In order to strengthen internal control over fee receipts and expedite future audits, we recommend that the Clerk maintain a receipt ledger as required.

County Clerk's Response:

Computer Crash - will comply with requirements.

INTERNAL CONTROL - REPORTABLE CONDITION AND MATERIAL WEAKNESS:

Lack Of Adequate Segregation Of Duties

We recognize the extent of segregation of duties is a judgement established by management. We also recognize this judgement is affected by certain circumstances beyond the elected official's control such as functions prescribed by statutes and regulations and by budgetary constraints. Due to limited staff, a proper segregation of duties may be impossible. However, the lack of adequate segregation of duties is hereby noted as a reportable condition pursuant to professional auditing standards. We believe this reportable condition as described is also a material weakness.

County Clerk's Response:

Can't be helped due to budget.

PRIOR YEAR NONCOMPLIANCE:

None.

INTERNAL CONTROL – REPORTABLE CONDITION AND MATERIAL WEAKNESS:

Lack of Adequate Segregation of Duties

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Jackson County Clerk for the year ended December 31, 2000, and have issued our report thereon dated July 17, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Jackson County Clerk's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying comments and recommendations.

- The Clerk Should Have Maintained Proper Accounting Records

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Jackson County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The reportable condition is described in the accompanying comments and recommendations.

- Lack Of Adequate Segregation Of Duties

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over financial reporting which we have reported verbally to Jackson County Clerk.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
July 17, 2001

